

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company  
To Revise Its Electric Marginal Costs, Revenue  
Allocation, and Rate Design.

(U 39 M)

Application 04-06-024  
(Filed June 17, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING ON CBIA'S MOTION  
FOR RECONSIDERATION/CLARIFICATION OF RULING**

The March 25, 2005 motion of The Utility Reform Network (TURN) for Permission for Acceptance of a Late Filed Response to the Motion of the California Building Industry Association (CBIA) is granted. The March 16, 2005 motion of the CBIA for reconsideration/clarification is granted to the extent provided herein.

**1. Background**

On March 7, 2005, TURN moved for clarification regarding whether two issues are within the scope of this proceeding or, if not, that they be added. No responses were filed.

On March 15, 2005, TURN's unopposed motion was granted. The March 15, 2005, ruling found that the two issues are within the scope. This included the issue, as characterized by TURN, of "changes to the 50% nonrefundable discount option for new customer connections."

On March 16, 2005, CBIA moved for reconsideration or clarification of the March 15, 2005 ruling. CBIA asserts that changes to the discount percentage are within the scope of this proceeding, but proposals to eliminate the option are not.

Responses were due within two days. (August 27, 2004 Scoping Memo, Ordering Paragraph 6.)

On March 17, 2005, Pacific Gas and Electric Company (PG&E) received permission to respond late, and notified all parties. On March 22, 2005, PG&E responded in support of CBIA's motion. PG&E recommends that the March 15 ruling be clarified and/or reversed, and that the nonrefundable discount option issue as framed by TURN be ruled outside the scope of this proceeding.

On March 22, 2005, TURN responded in opposition to CBIA's motion. TURN urges allowing consideration of the full range of line extension issues as contained in the proposed testimony of TURN witness Jeff Nahigian. On March 25, 2005, TURN moved for acceptance of its response late, citing confusion about the extension granted to PG&E and a good faith effort by TURN to abide by what appeared to be an extension granted to all parties. No responses to TURN's motion were filed.<sup>1</sup> TURN's motion for late filing its response is granted.

## **2. Discussion**

TURN's motion dated March 7, 2005 was unopposed, and no party recommended the rewording of any issue. The ruling dated March 15, 2005 found TURN's two issues to be within the scope of the proceeding. Now, however, CBIA and PG&E convincingly argue that the scope of this proceeding,

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<sup>1</sup> On March 28, 2005, PG&E served a note by electronic mail seeking to clarify its March 17, 2005 notice regarding the extension.

including Issue 1.5, does not, and should not, include the extent to which TURN seeks to address the issue of the 50% nonrefundable discount option.

As adopted in the August 27, 2004 Scoping Memo, Issue 1.5 is:

“1.5. Whether or not the customer access marginal cost should reflect the sharing of new hookup costs between PG&E and applicants for new service, resulting from the Commission’s line extension proceeding.”

PG&E contends that it raises the discount matter for the sole purpose of discussing its effect on the marginal cost of customer hookups, which PG&E asserts is an important input to distribution rate-setting. PG&E states that other than its impact on marginal cost and rate design, the discount option has no bearing on Phase 2 issues. PG&E says that it does not propose, for example, to make changes to line extension rules or address line extension policy which would, according to PG&E, expand the focus of this proceeding beyond rate design. TURN, on the other hand, “believes the Commission should cap the costs at the standard allowance for purposes of marginal cost allocation and eliminate the discount option in its entirety.” (March 7, 2005 TURN Motion, page 3.)

Issues within the scope of this proceeding include marginal cost calculation, revenue allocation and rate design. As identified in the Scoping Memo, one such issue is whether or not customer access marginal cost should reflect the sharing of new hookup costs between PG&E and applicants for new service resulting from the Commission’s line extension proceeding. The issue may also include “the 50% nonrefundable discount option for new customer connections” to the extent this affects the marginal cost calculation or allocation. It may also include whether or not the Commission should cap the costs at the standard allowance for purposes of marginal cost calculation or allocation.

Issues outside the scope of this proceeding include those that change applicant's revenue requirement. In its March 22, 2005 response, PG&E now more carefully and thoroughly explains how TURN's proposed treatment of this issue will change PG&E's revenue requirement. That is, revising the discount percentage, or eliminating the discount option, changes the revenues collected by PG&E. This in turn changes the remaining costs that must be paid by PG&E (i.e., total line extension costs minus revenues), and affects the PG&E revenue requirement chargeable to ratepayers. Such changes are outside the scope in this proceeding. Rather, the revenue requirement for Phase 2 has been predetermined, or will be updated based on results in other proceedings. Thus, changes to the discount percentage or elimination of the discount option are outside the scope of this proceeding.

Moreover, PG&E correctly argues that TURN's focus on ratepayers fails to consider other interests. That is, the Commission adopted the nonrefundable discount option in response to the building industry's concern about financing the cost of line extensions. (Decision 92-12-026; 58 CPUC2d 1, 73, footnote 3.) This was accomplished in a rulemaking proceeding wherein building industry interests were represented by not only CBIA, but also the California Association of Realtors, the California Business Properties Association, and Utility Design, Inc.<sup>2</sup> Even if within the scope of this proceeding (which it is not), any consideration of eliminating the discount option should be undertaken only after reasonable notice on those who were involved in the original rulemaking, plus reasonably wide notice on others, if any, with a current interest in the issue. As

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<sup>2</sup> Rulemaking (R.) 92-03-050.

far as known at this time, effective notice that line extension policy would be an issue in this case has not taken place.

Nonetheless, the appropriate percentage for the nonrefundable discount option, or elimination of the nonrefundable discount option (i.e., nonrefundable discount percentage of 100%), is a valid issue subject to periodic review. In fact, applicant's electric Tariff Rule 15 requires that:

“PG&E will periodically review the factors it uses to determine its residential allowances, non-refundable discount option percentage rate, and Cost-of-Service Factor stated in this rule. If such review results in a change of more than five percent (5%), PG&E will submit a tariff revision proposal to the Commission for review and approval. Such proposed changes shall be submitted no sooner than six (6) months after the last revision.

“Additionally, PG&E shall submit by advice letter proposed tariff revisions, which result from other relevant Commission decisions, to the allowance formula for calculating line and service extension allowances.” (PG&E Electric Tariff Rule 15.I.2.)

PG&E states that it is planning to address these periodic review factors after a final decision in this proceeding.

To ensure that the issue is not lost, and that a forum is presented even if PG&E determines the change should be less than 5%, I propose to include an ordering paragraph in the proposed decision at the conclusion of this proceeding. The paragraph would order PG&E to file an advice letter within 90 days of the mailing date of the Commission's order. The advice letter would include a review of the factors that determine PG&E's residential allowances, non-refundable discount option percentage rate, and Cost-of-Service Factor. It would also include anything else reasonably necessary for the Commission to make an informed decision on the issue. The review would take into account the

decision in this Phase 2 proceeding, and all other relevant decisions, and the filing would be required even if PG&E determines that the change should be less than 5%. Service of the advice letter would be required on all parties applicant reasonably expects to have an interest in this matter, including those on the service list for R.02-03-050, and the government agencies listed in Pub. Util. Code § 783(c). If protested, the advice letter could either be resolved by the Commission in a resolution, or converted to an application for possible evidentiary hearing.

Parties should comment at the appropriate time in this proceeding (e.g., in opening and reply briefs) on the approach described above, including a proposed ordering paragraph in the proposed decision. If such ordering paragraph is included in the proposed decision, parties may also comment at the time of comments and reply comments on the proposed decision.

**IT IS RULED** that:

1. The March 25, 2005 motion of The Utility Reform Network (TURN) for Permission for Acceptance of a Late Filed Response to the Motion of the California Building Industries Association (CBIA) is granted.
2. The March 16, 2005 motion of CBIA for Reconsideration/Clarification is granted as provided herein.
3. The scope of Issue 1.5 includes whether or not the customer access marginal cost should reflect the sharing of new hookup costs between Pacific Gas and Electric Company (PG&E) and applicants for new service resulting from the Commission's line extension proceeding. It may also include the 50% nonrefundable discount option for new customer connections to the extent this affects marginal cost calculation or allocation. It may also include whether or not the Commission should cap the costs at the standard allowance for purposes of

marginal cost calculation or allocation. The discount option is within the scope of this proceeding to the extent it affects marginal cost, allocation or rate design.

4. The scope of Issue 1.5 does not include changes to the discount percentage or elimination of the discount option. It also does not include changes to the residential allowances or Cost-of-Service Factor stated in PG&E Electric Tariff Rule 15.I.2. The discount option is not within the scope of this proceeding to the extent it involves line extension rules or policy.

5. TURN shall serve a new version of its proposed testimony within seven (7) days of the date of this ruling which eliminates discussion and recommendations determined herein to be outside the scope of this proceeding.

Dated March 30, 2005, at San Francisco, California.

/s/ BURTON W. MATTSON

Burton W. Mattson  
Administrative Law Judge

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of Administrative Law Judge's Ruling on CBIA's Motion for Reconsideration/Clarification of Ruling in Application 04-06-024 by using the following service:

☒ E-Mail Service: sending the entire document as an attachment to all known parties of record who have provided electronic mail addresses.

☒ U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Dated March 30, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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